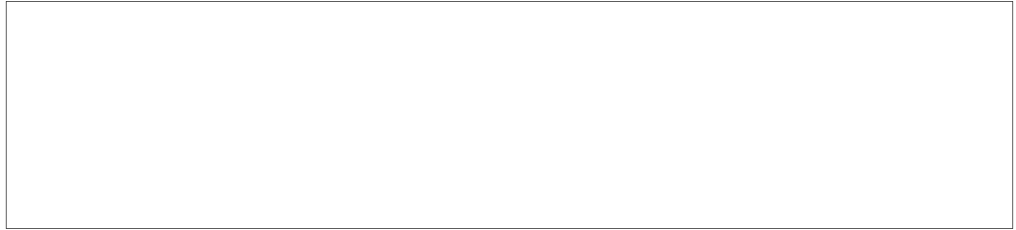




**Director of
Central
Intelligence**

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National Intelligence Daily

***Wednesday
9 January 1980***

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SITUATION REPORT

IRAN

Iranian authorities are intensifying security procedures in Qom in anticipation of major demonstrations today on Arbain, a religious holiday. [redacted]

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Ayatollah Shariat-Madari appealed again for calm yesterday, but local authorities are concerned that thousands of his followers may travel to Qom for Arbain and provoke new disturbances. The government has warned that "counterrevolutionaries" are plotting unrest during the holiday, and police units are on alert. [redacted]

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Security forces have moved into the southern coastal towns of Bandar-e Lengeh, Bandar-e Abbas, and Jask, where an uneasy truce prevails after Muslim factional fighting last weekend resulted in some 50 deaths. Yesterday, Kurdish rebels in Mahabad reportedly attacked and disarmed a 120-man Gendarmerie unit, and in Tabriz tens of thousands of Azarbayjanis marched in support of Shariat-Madari. Major demonstrations are anticipated in Tabriz and in other cities throughout the country today. [redacted]

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Khomeini Restricts Activities

Khomeini's decision to cancel all appointments for two weeks beginning this Saturday probably will not preclude his meeting with top government officials and prominent individuals. The rest period ends shortly after the scheduled election day on 25 January, suggesting that the announcement is intended chiefly to keep the Ayatollah insulated from campaign politics and to discourage groups of demonstrators, particularly Kurds and Azarbayjanis, from marching on Qom. [redacted]

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BRIEFS AND COMMENTS

AFGHANISTAN-USSR: Arab States' Reactions

Moderate Arab states have generally condemned the Soviet invasion of Afghanistan, but only Egypt has taken concrete steps to penalize the USSR. Of the radical Arabs, Iraq alone has condemned the Soviets. [redacted]

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The recent tentative improvement in Egyptian-Soviet relations is all but certain to collapse. Cairo has canceled plans to send an ambassador to Moscow and reportedly will order a sharp reduction in the Soviet presence in Egypt. Egypt has repeated its offer of military facilities for US use in dealing with crises in the Middle East and has appealed to the other Islamic states to join a united anti-Soviet campaign. [redacted]

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Saudi Arabia and Morocco, which do not suffer from Egypt's diplomatic problem of isolation within the Arab world, have been working to convene a meeting of Islamic Conference Foreign Ministers, perhaps within the coming week. Such a gathering could result in a call for increased assistance to Pakistan and insurgents in Afghanistan and to further condemnation of the Soviets. The sole Arab member of the UN Security Council, Tunisia, this week joined with the non-Arab Islamic members of the Council in sponsoring the Soviet-vetoed resolution calling for an end to foreign military involvement in Afghanistan. [redacted]

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Of the radical Arab states, Syria and South Yemen have defended the Soviets, the former because of its arms supply relationship with the USSR and the latter because of Soviet military assistance and a recently signed friendship treaty. A leftist member of the Palestine Liberation Organization's executive committee yesterday also announced support for the Soviet action. At the other extreme, Iraqi President Saddam Husayn on Sunday personally

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condemned the Soviets, fueling speculation that Baghdad's apprehensions about Soviet goals in the Persian Gulf region might ultimately lead Iraq to cancel its friendship treaty with the USSR. [REDACTED]

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Libya and Algeria, normally sympathetic to the USSR, claim privately to oppose the Soviet action but have been unwilling to condemn it publicly. Muted criticism of the USSR was expressed at the Libyan General People's Congress that concluded this week. [REDACTED]

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Arab media comment on the Afghan situation has made clear that many Arabs see the crisis primarily as a problem between the superpowers that the Arabs would be wise to avoid. This attitude reduces the likelihood that the Arabs will cooperate with the US in any anti-Soviet action that carries risks or costs for them. Some Arab spokesmen in fact have coupled their attacks on the USSR with warnings against possible US military action in the Persian Gulf region. [REDACTED]

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Some of the Arabs have defended their mild responses to the Soviets as in line with their policies relative to the occupation of Arab land by the US proxy, Israel. The Arabs regard as fallacious the idea that Soviet expansionism rather than the unresolved Palestinian question is the most serious threat to political stability in the Middle East. [REDACTED]

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EASTERN EUROPE: Limited Economic Prospects

East European leaders have ushered in the new year by warning their people that difficult times lie ahead, and apprehensions are likely to increase as US-Soviet relations deteriorate.

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East German party chief Honecker appeared to retreat from his commitment to price stability by implying that price increases are coming under the guise of quality improvements. He attributed the inflationary pressure and East Germany's trade deficit with the West to price fluctuations in world markets, and warned that dependence on hard currency exports will increase.

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Czechoslovak leaders have cited numerous shortcomings in the economy, assailing in particular alleged managerial incompetence. Official Czech statements imply that the standard of living will do no more than remain level. Hungarian officials warned that continued improvement in the balance of trade will require restrictive policies that may prevent any increase in the standard of living for several years. A previously announced adjustment in consumer prices took effect Monday. Polish leaders have been acknowledging with increasing candor the seriousness of Poland's balance-of-payments disequilibrium, and the virtual certainty that shortages of electric power, meat, and housing will persist for a long time.

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Bulgarian officials acknowledged that in 1979 the economy, while performing respectably, fell short of several major goals. They appear to have lowered somewhat their assessment of Bulgaria's economic prospects by reducing 1980/81 targets, but the new goals remain ambitious. In Romania, the Ceausescu regime has implicitly acknowledged that the economy is in difficult straits, primarily as a result of shortages of energy and key raw materials, but has not developed suitable remedies.

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The East European leaders probably hope that candid discussion of economic difficulties will reduce popular resentment and perhaps increase the bureaucracy's support for harsh measures. The regimes' task will become even more complicated as deteriorating US-Soviet relations heighten uncertainty over East European access to Western markets, technology, and financing.

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EGYPT: Muslim-Christian Friction

Another increase in tensions between Egypt's Muslim majority and the Coptic Christian minority of some 4 million appears in the making. Two Coptic churches in Alexandria were the targets of bombing attacks on Sunday, and Muslim students believe the Coptic Church originated an inflammatory anti-Islamic booklet that has been distributed in Cairo during the past few days. The booklet and the situation in Afghanistan are to be discussed at a mass meeting sponsored by al-Azhar University today that Egyptian security officials fear could spark unruly anti-Soviet demonstrations in Cairo. The appearance of the tract at a time when Muslim emotions are running high over the Soviet invasion of Afghanistan is likely to increase religious distrust. If necessary the government will move forcefully to prevent a serious outbreak of Muslim-Coptic strife.

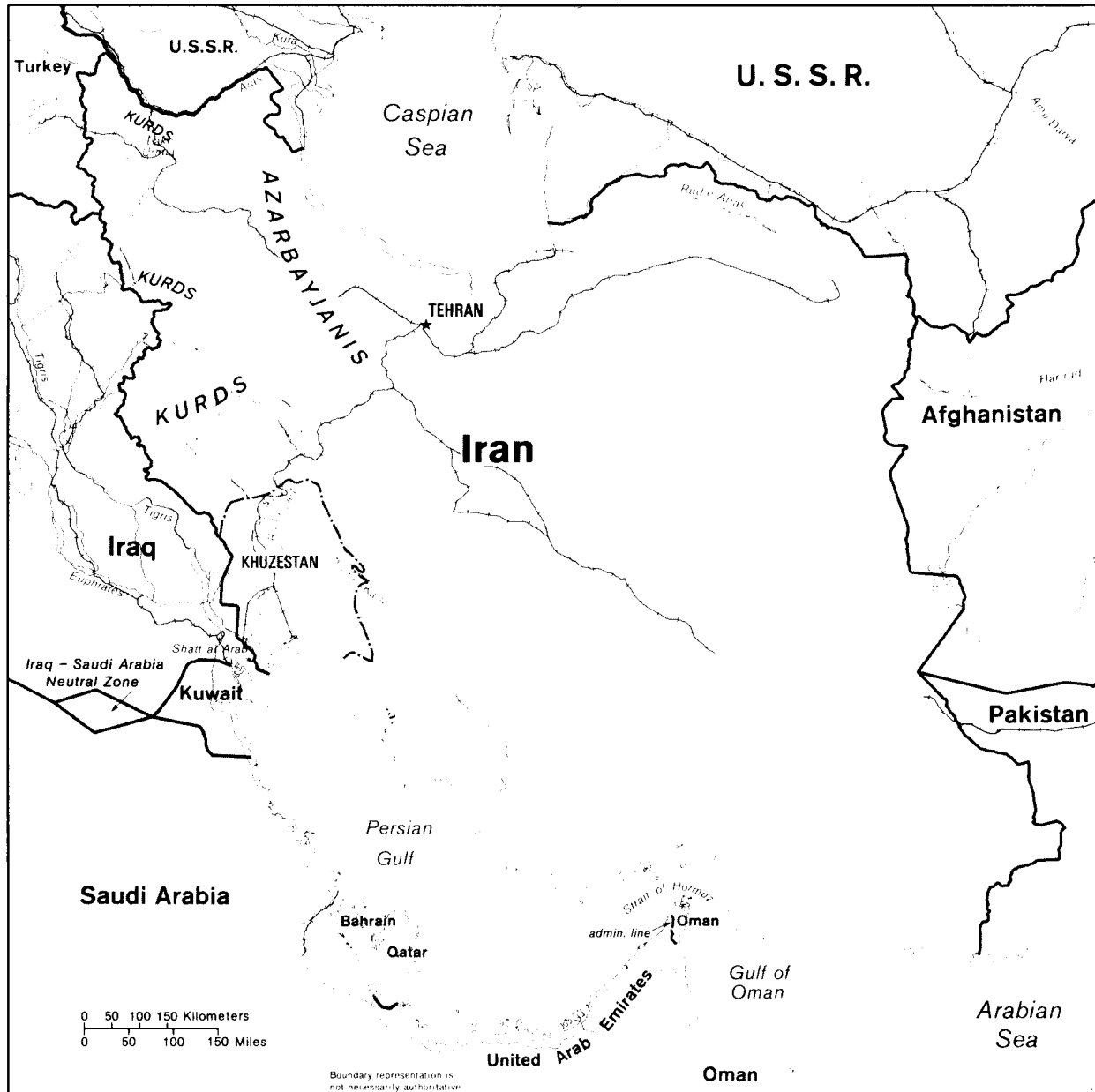
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SPECIAL ANALYSIS

IRAN: Khomeini's Dwindling Power Base

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Ayatollah Khomeini remains Iran's unchallenged ruler, but his base of support has narrowed significantly since the start of the hostage crisis. Khomeini's refusal to compromise with his opponents now, while they are still divided, is steadily reducing his chances for survival in the long run. The danger for the US is that the longer Khomeini remains in power, the more Iran's politics will be radicalized. The moderate center has almost completely eroded, and the extreme left is gaining influence.

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If Khomeini's objective at the start of the hostage crisis was to rally domestic support for his Islamic Republic, he has failed. While the struggle with the US is popular, the confusion created by the crisis and by Khomeini's drive to impose his constitution on Iran have given leftist groups and ethnic dissidents time to recruit and organize.

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Since the resignation of Prime Minister Bazargan, the government has become increasingly paralyzed. The clerics who dominate the Revolutionary Council are unprepared to rule the country effectively and have not been able to get the bureaucracy to function any better than it did under Bazargan. Despite his radical rhetoric, there is no sign that Finance Minister Bani-Sadr knows how to deal with Iran's economic woes, and Deputy Defense Minister Khamenei seems more intent on purging the military officer corps than on creating a viable security force.

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Eroding Power Base

The biggest setback has been the disaffection of Iran's Azarbayjani minority. The Azarbayjanis, who account for over 20 percent of the country's population, gave Khomeini important support during the revolution,

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but have withdrawn it now. The problem would be even more significant if Ayatollah Shariat-Madari, the spiritual leader of the Azarbayjanis, were willing to confront Khomeini openly. Shariat-Madari's caution is giving the left opportunity to gather strength in the strategic northwest area. [redacted]

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Iran's other minorities, restless even before the hostage crisis, have become further disaffected in the last two months. The Kurdish dissidents are the best organized and are already effectively in control of their homelands, and the regime's hold on the other minority areas is slipping. Khuzestan--the source of Khomeini's oil revenues--remains vulnerable to Arab autonomists, radical Palestinian or Arab agitators, and Iranian leftists. [redacted]

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The Iranian left has profited from the confusion of the hostage crisis and the increased operational freedom it has afforded. The pro-Soviet Tudeh Party has not been noticeably damaged by the regime's adverse but cautious reaction to the invasion of Afghanistan. While publicly supporting Khomeini, the Tudeh is probably recruiting among the military and in the oil-fields, preparing for an ultimate bid for power. [redacted]

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Iran's other leftists, including the most numerous of them--the People's Fedayeen guerrillas--are badly divided but are actively cementing ties with the minorities. For the first time in months, Fedayeen supporters in Tehran clashed with Khomeini's backers last week. [redacted]

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Even Khomeini's staunchest backers are starting to waver. Many in the religious establishment have long preferred Shariat-Madari and his view that the clergy should not play a prominent role in politics. The lower classes are increasingly unhappy with high unemployment and underemployment. [redacted]
Iran's bazaari merchant community--many members of which are Azarbayjanis--is also beginning to lose enthusiasm for Khomeini. [redacted]

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Khomeini's Style

The Ayatollah's leadership--aloof and uncompromising--served him well against the Shah, but has consistently damaged his prospects in recent months. By failing to compromise with Shariat-Madari over the constitution, Khomeini lost the Azarbayjanis. By refusing to accept the other minorities' original requests for autonomy and their concerns about the constitution, he has pushed them to demand even more self-rule. [redacted]

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Khomeini's single-minded pursuit of the Islamic Republic has alienated the secularist intelligentsia, the technocrats, and the bulk of the middle classes. Without their backing his regime has little hope of creating the effective bureaucracy, economy, and military force necessary to satisfy Iranian needs. [redacted]

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Outlook

Khomeini's opponents remain divided, and none are confident enough as yet openly to challenge his hold on the central government. The military is disaffected, but is paralyzed by poor morale and continuous purges. Moreover, Khomeini's charisma can still mobilize the mobs. [redacted]

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Nonetheless, while the Ayatollah's short-term prospects remain good, the long-term trend is clear. As presently constituted, Khomeini's regime is too narrowly based to survive. Continued economic stagnation or simultaneous uprisings by the minorities could lead to the regime's collapse. The Ayatollah's death could lead to complete chaos. [redacted]

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The danger for the US is that the longer Khomeini remains in power, the more radicalized Iran becomes. The moderate centrist parties like the National Front and National Democratic Front have been destroyed. It is becoming increasingly likely that Khomeini's successor will be just as extreme. Even worse, the collapse of Khomeini's regime could throw the country into total anarchy. [redacted]

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